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MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Edwin L. Harper, Deputy Director

SUBJECT: Implementation of OMB Circular A-76

Executive Registry
81-3999
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81-0797

One of the major goals within this Administration center on maximizing the efficient expenditure of funds. OMB Circular A-76 "Policies for Acquiring Commercial or Industrial Products and Services needed by the Government" provides you with one of the necessary tools to achieve this goal. This Administration strongly supports the general policy of reliance on competitive private enterprise to supply the products and services needed by the Government. Through proper and effective implementation of the Circular you will be able to achieve economies and efficiencies in operating commercial-industrial type activities by:

- Determining the least cost method of providing essential services (contract or in-house).
- Streamlining existing government organizations ensuring they are organized and staffed for the most efficient performance.
- Reducing long-range fiscal obligations through reductions in the Federal workforce when cost comparisons show a contract operation is more cost effective.
- Enhancing productivity through the development of measurable job standards.

The Circular provides that when private performance of commercial or industrial activities is feasible and no overriding factors require in-house performance, a rigorous comparison of contract costs versus in-house costs will be made, using the Circular's Cost Comparison Handbook, to determine whether the work will continue to be performed by in-house personnel or converted to a contract operation. The Circular contains several provisions that give appropriate consideration to affected Federal employees. Among the more significant ones are that:

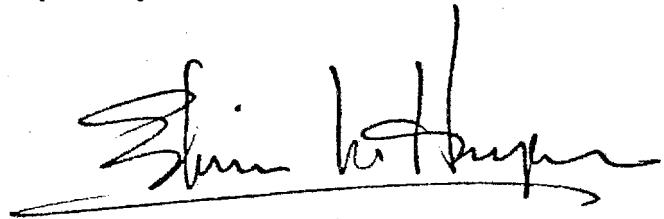
- Existing in-house activities will not be converted to contract performance on the basis of economy unless it will result in a savings of at least 10 percent of the estimated Government personnel costs for the period of the comparative analysis; and
- Federal employees displaced as a result of the conversion to contract performance will be given the right of first refusal for employment openings in the contract operation.

In a recent review of agencies' overall implementation of the Circular, I noted that with a few exceptions, it has been in a vacuum principally because it lacked the requisite leadership and support from agency officials which is needed for effective implementation.

Under this Administration we have been charged, among other things, with the responsibility of ensuring economies and efficiencies within the Government. In fulfillment of these responsibilities, it is essential that you become vigorously involved and provide the overall leadership in your agency to fully implement the Circular by the close of fiscal year 1982. To assist you in accomplishing this, an OMB Bulletin is being issued which will provide the appropriate visibility needed to ensure it is effectively implemented.

Finally, there appears to be some confusion regarding the relationship between OMB Circular A-76 and other instructions that limit Federal civilian employment. Both the Circular and these instructions are complementary. The instructions preclude the use of contracting with firms and institutions outside the Government solely to circumvent personnel ceilings. Agencies that contract out for goods and services under the structured and deliberate process prescribed by OMB Circular A-76 are doing so because it is cost effective and reduces the growth in Government spending.

The Comptroller General, in a recent letter to us, reaffirmed not only the importance of the basic policy set forth in the Circular but also the significant savings in personnel positions which could occur if it were fully implemented in all agencies. In light of the trust and responsibilities placed in us by the American people, it is essential that we join together in forming a partnership to ensure OMB Circular A-76 is implemented in an effective and timely manner. Please be assured that my staff and I will work closely with you in this endeavor.

A handwritten signature in dark ink, appearing to read "Edwin L. Harper", with a horizontal line drawn underneath the signature.

Edwin L. Harper
Deputy Director

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